



# Virginia Employment Commission *report to*

## The Commission on Unemployment Compensation

Nicholas Kessler, Deputy Commissioner  
Virginia Employment Commission

November 27, 2007

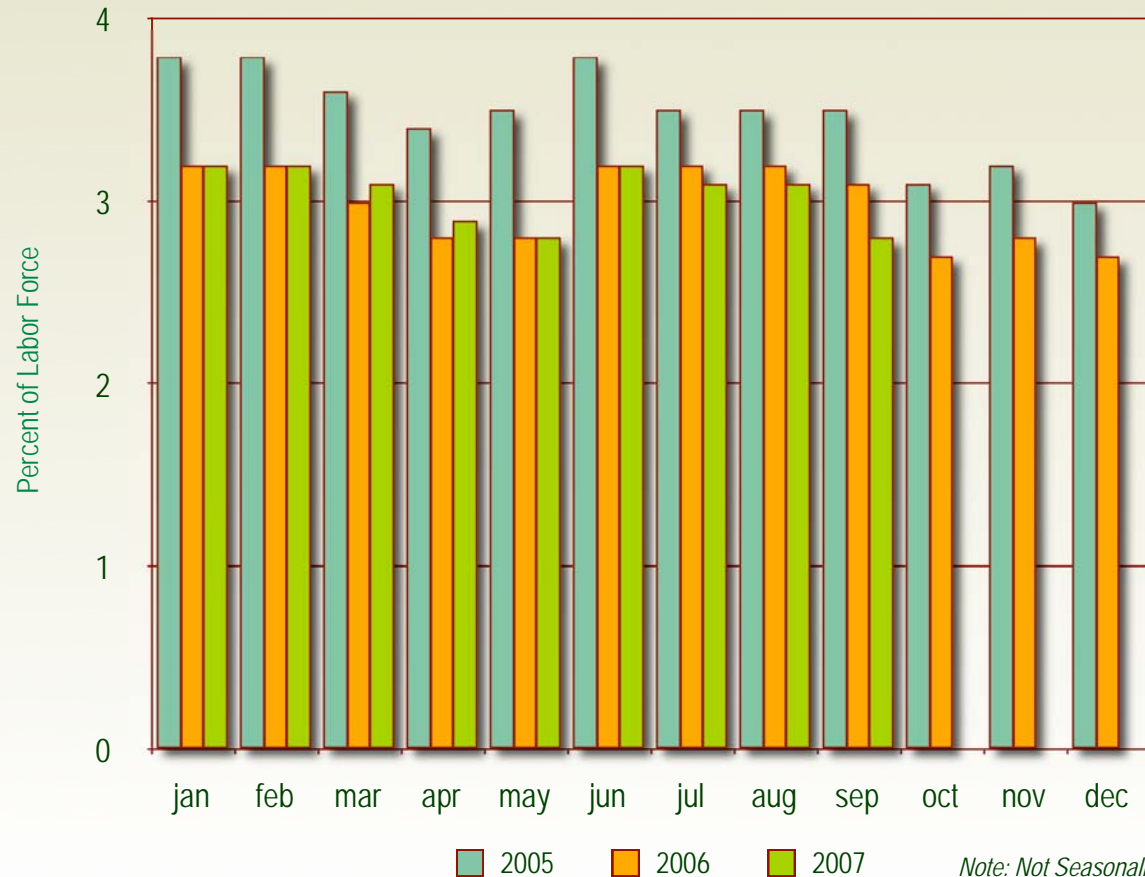


# VEC Trust Fund



# Virginia's Unemployment Rates 2005 - 2007 *(year to date)*

- This year's July through September unemployment rates are below the year-ago rates.
- The rate has not been above 4% since January 2004.

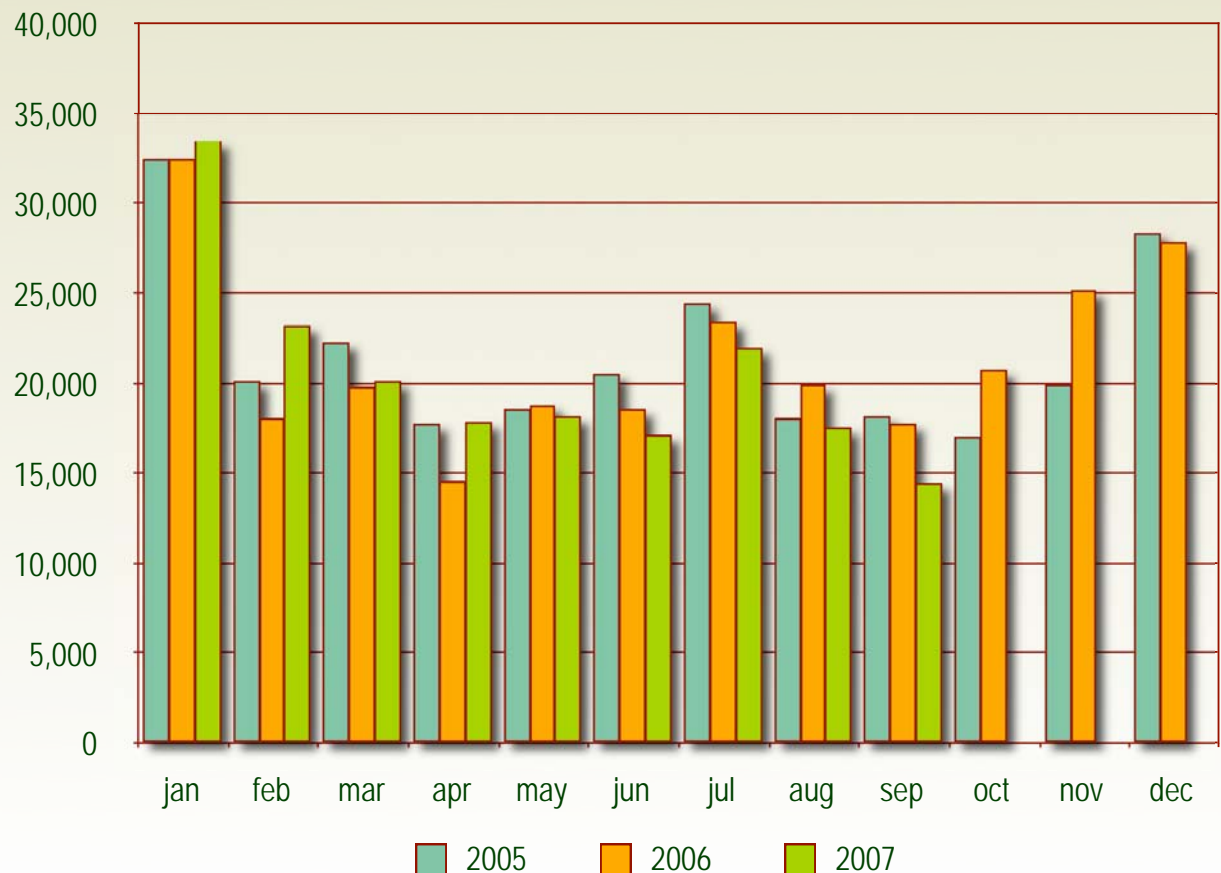




# UI Initial Claims

## 2005 - 2007 *(year to date)*

→ Total initial claims through September this year are up 0.4% because of more, mostly temporary, motor vehicle and furniture layoffs. However, claims activity has diminished considerably in the third quarter from earlier in the year. For the same 9-month period, initial claims are down 4.4% from 2005.

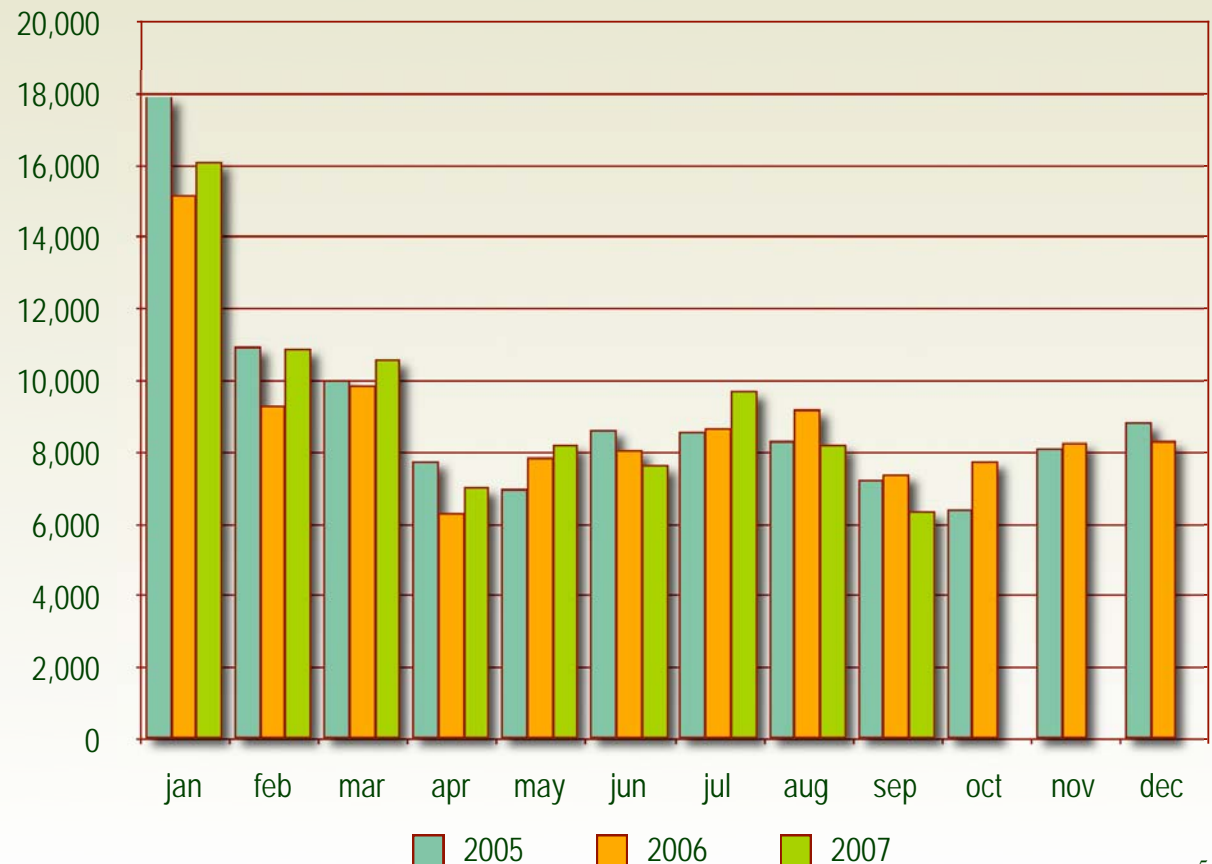




# UI First Payments

## 2005 - 2007 *(year to date)*

- A claimant can receive only one first payment in his benefit year; so first payments are a good proxy for the number of claimants receiving unemployment benefits.
- Through September, first payments are up 3.7% from last year, but down 1.9% from 2005.
- The average duration in September was 12.7 weeks, above last September's 12.4 weeks.



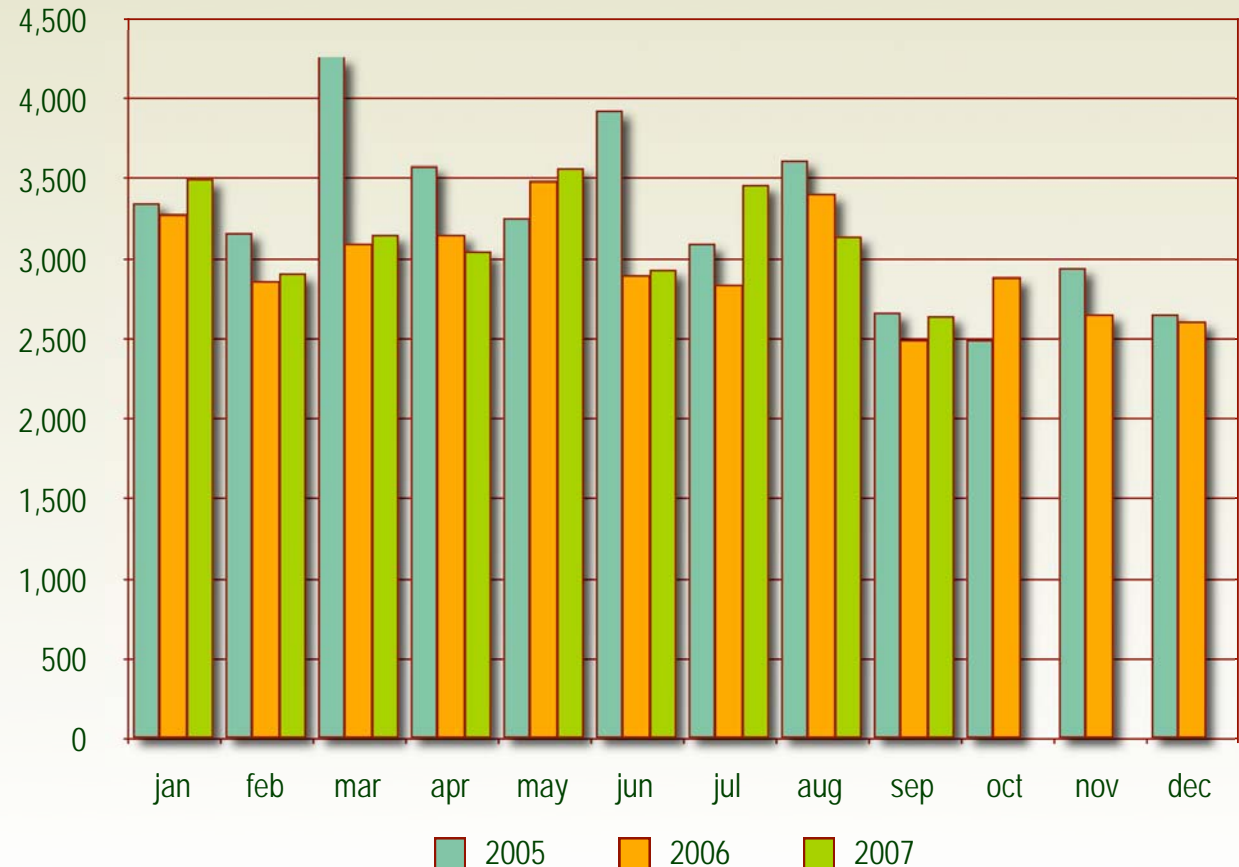


# UI Final Payments

## 2005 - 2007 *(year to date)*

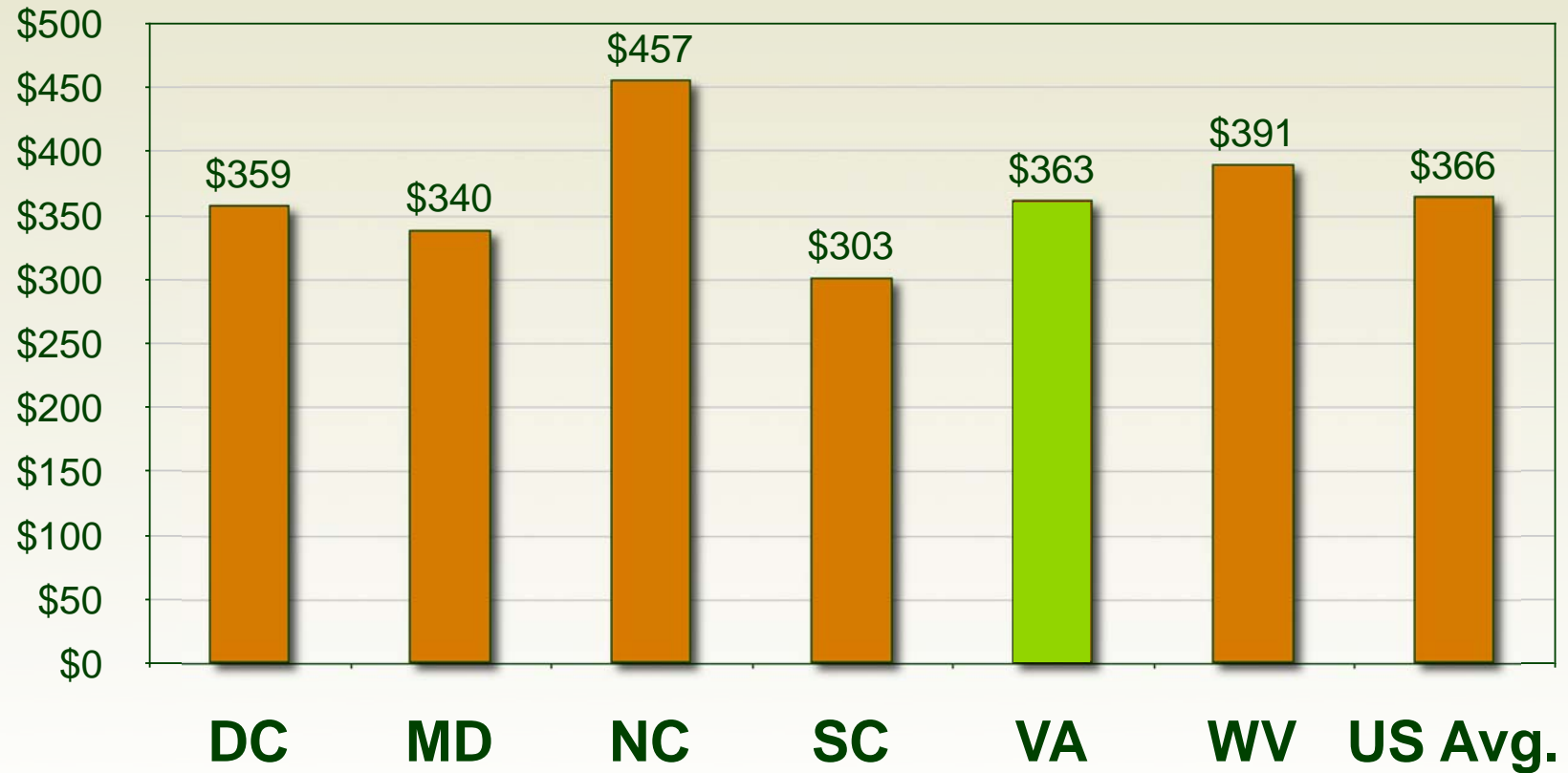
→ For the first nine months of 2007, final payments are up 2.9% from 2006, but down 8.4% from 2005.

→ The exhaustion rate in September was 33.3%, down from last September's 33.8%.



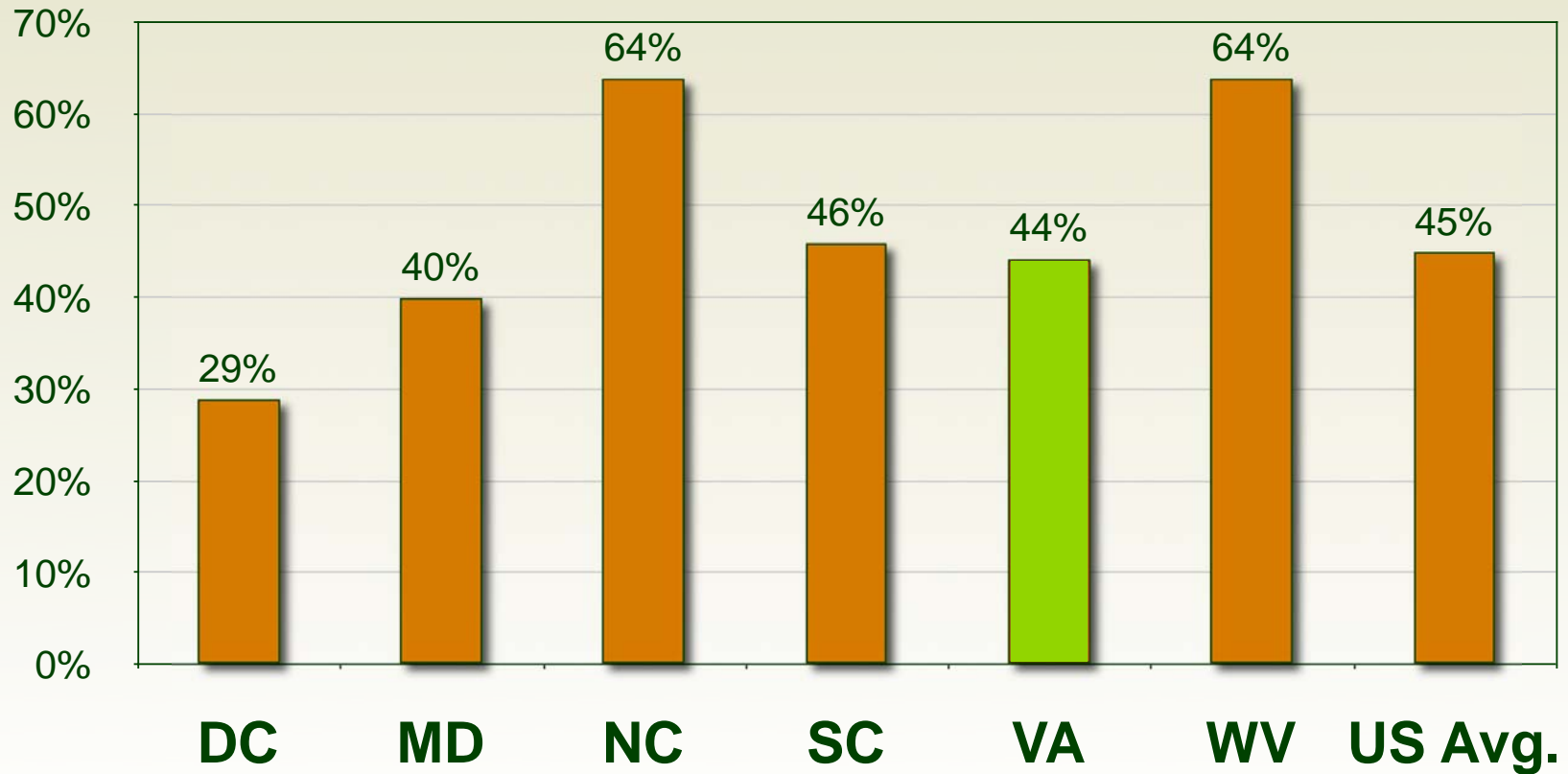


# 2007 Maximum Weekly Benefit Fourth Circuit





# 2007 Maximum Weekly Benefit Replacement Rate Fourth Circuit

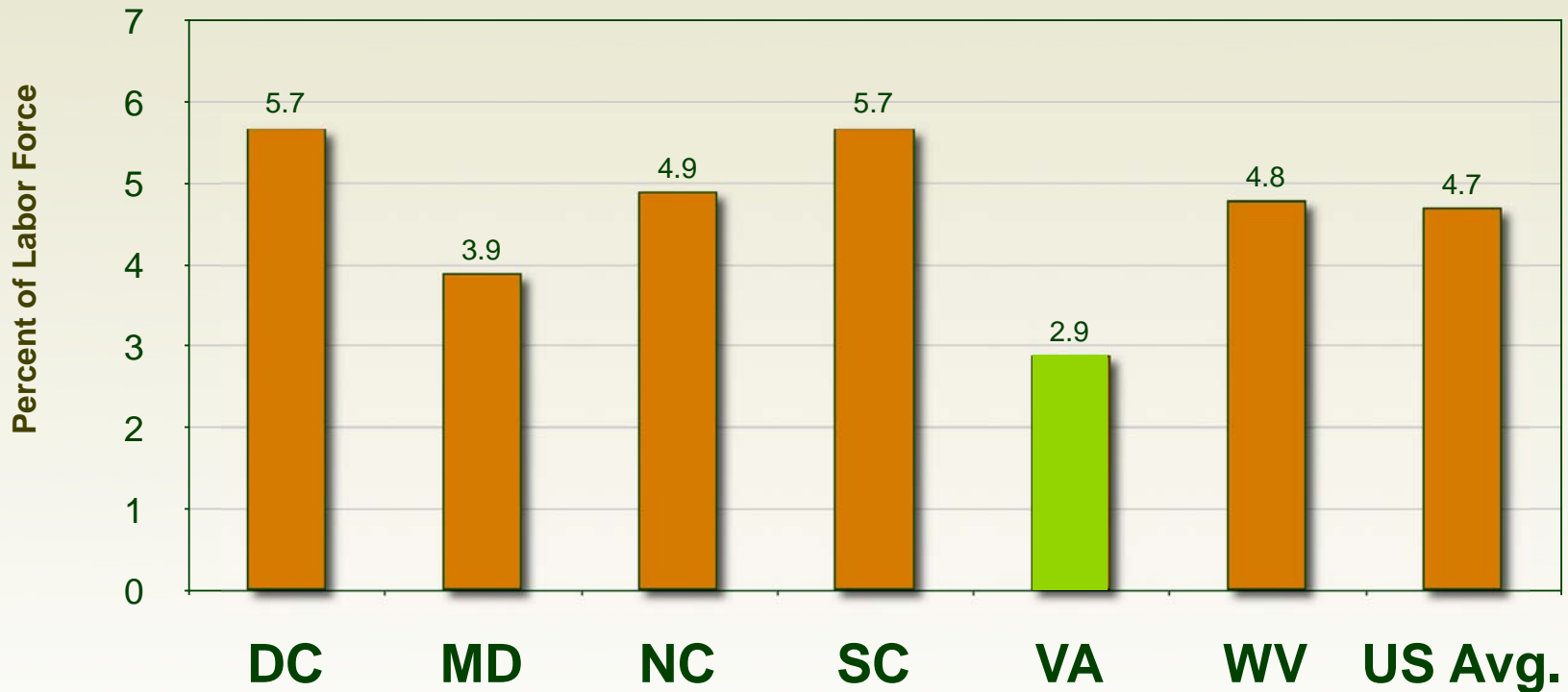






# September 2007 Unemployment Rates

## Fourth Circuit



*Note: Seasonally Adjusted Rates*



# Trust Fund Data

(Millions of Dollars)

(Projections will be updated in December)

	2006	2007
January 1 Balance	\$498.9	\$644.9
Tax Revenue	\$529.6	\$417.1
Interest Revenue	\$30.6	\$36.2
Benefits	\$347.2	\$378.9
December 31 Balance	\$644.9*	\$708.8**
Solvency Level (6/30)	71.9%	70.4%

\*\$67 million in Reed Act money deducted from Trust Fund balance for FY07 and FY08 appropriations for JS and UI administration and capital projects.

\*\*\$10.5 million in Reed Act money deducted from Trust Fund balance for FY07 and FY08 appropriations for JS and UI administration.



Actual



Projected



# Trust Fund Solvency Adequate Fund Balance

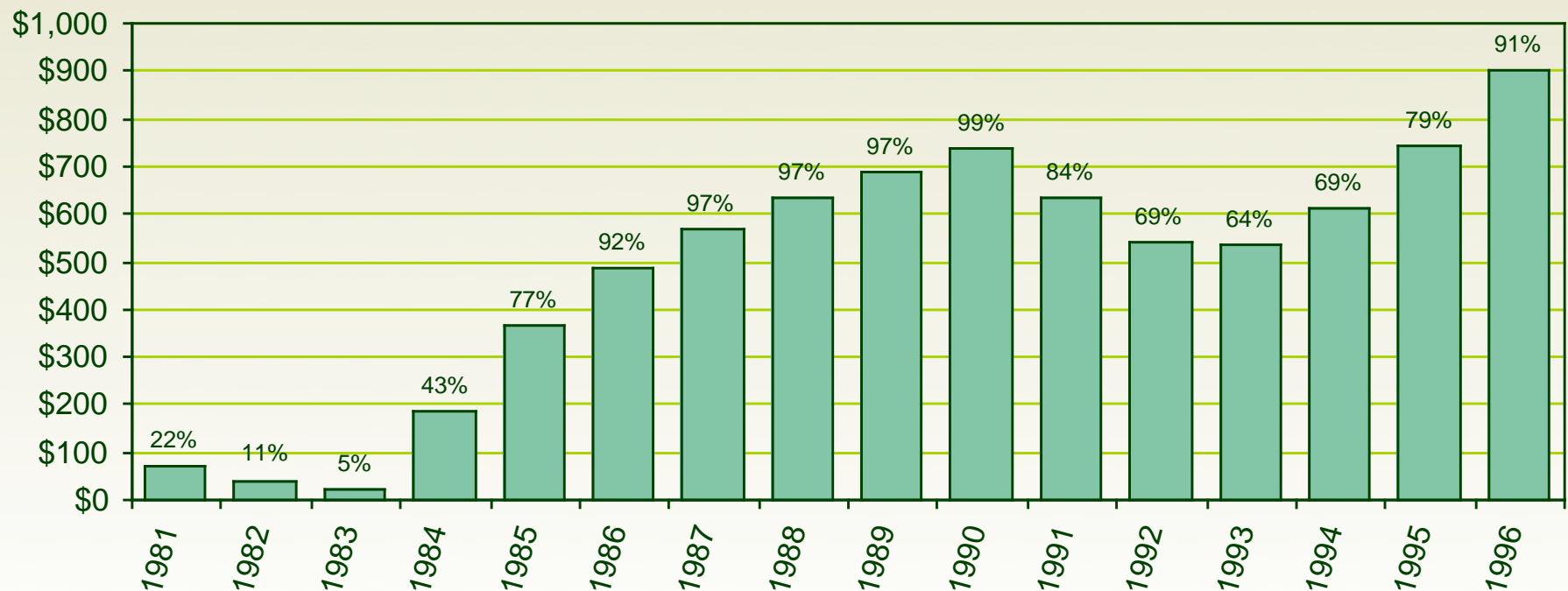
- Solvency =  $1.38 \times \text{Average Cost Rate} \times \text{Wages}$ .
- 1.38 represents 16.5 months of benefits with no revenue.
- Average Cost Rate is the average of 3 highest ratios of benefits to total wages in the past 20 years.
- Wages are total wages paid by taxable employers for the year ending June 30.
- Solvency Level =  $\text{June 30 balance} \div \text{Adequate Fund Balance}$ .



# June 30 Balances (millions) and Solvency Level 1981 - 1996

→ When solvency drops below 50%, Fund Builder Tax is triggered the following year.

(Projections will be updated in December)

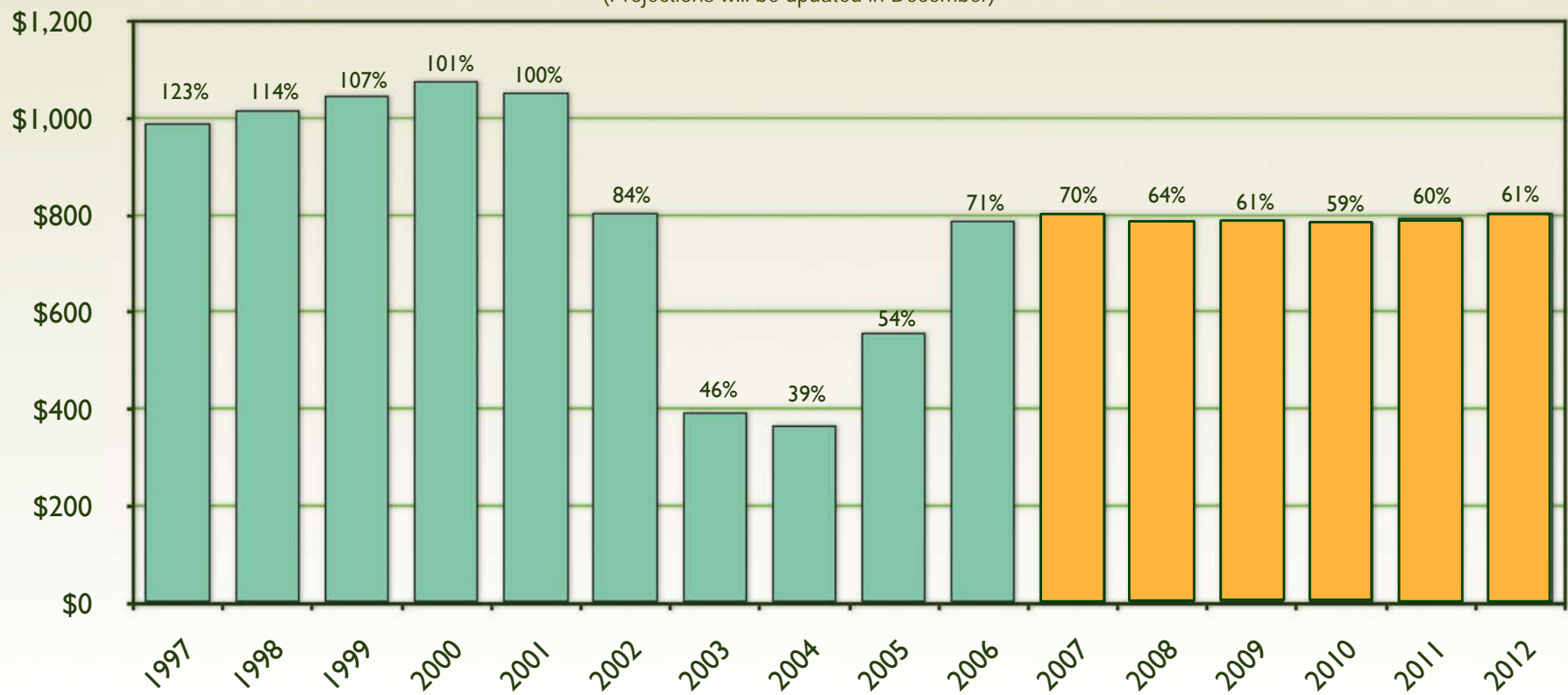




# June 30 Balances (millions) and Solvency Level 1997 - 2012

➔ When solvency drops below 50%, Fund Builder Tax is triggered the following year.

(Projections will be updated in December)

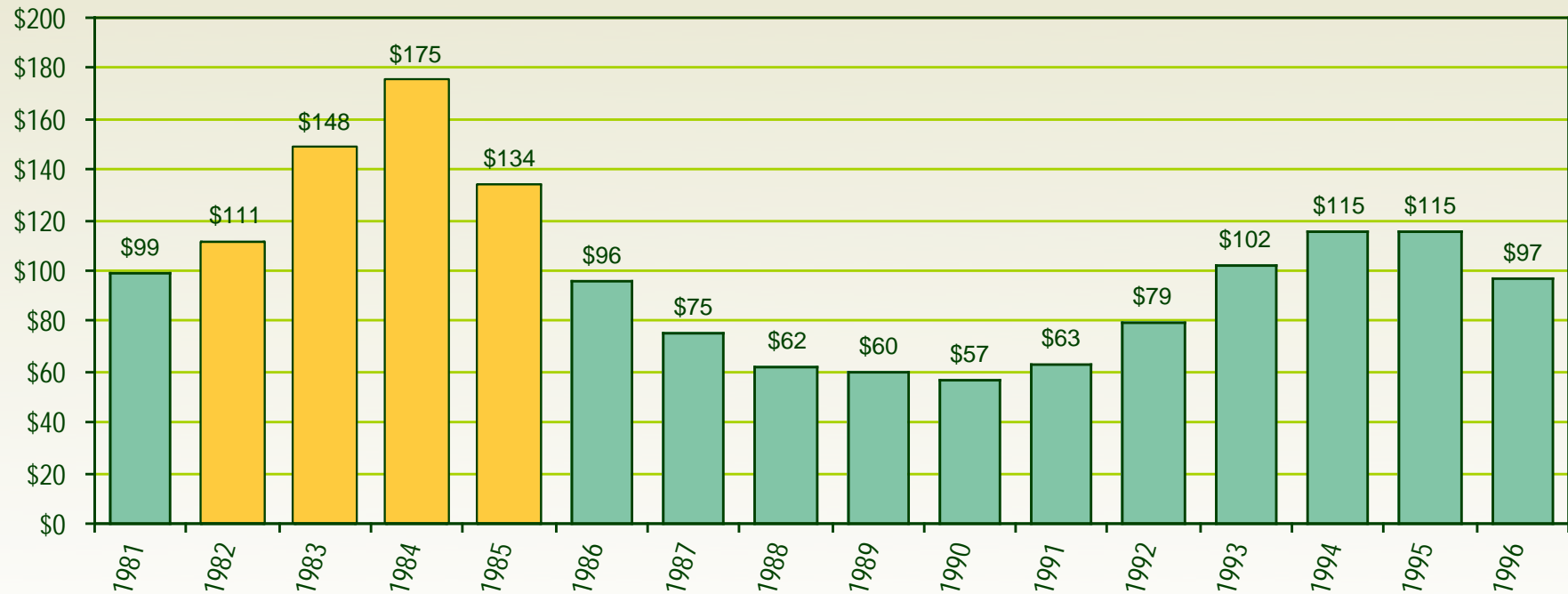


➔ 2008 – 2012 projected.



# Average Tax per Employee 1981 - 1996

(Projections will be updated in December)



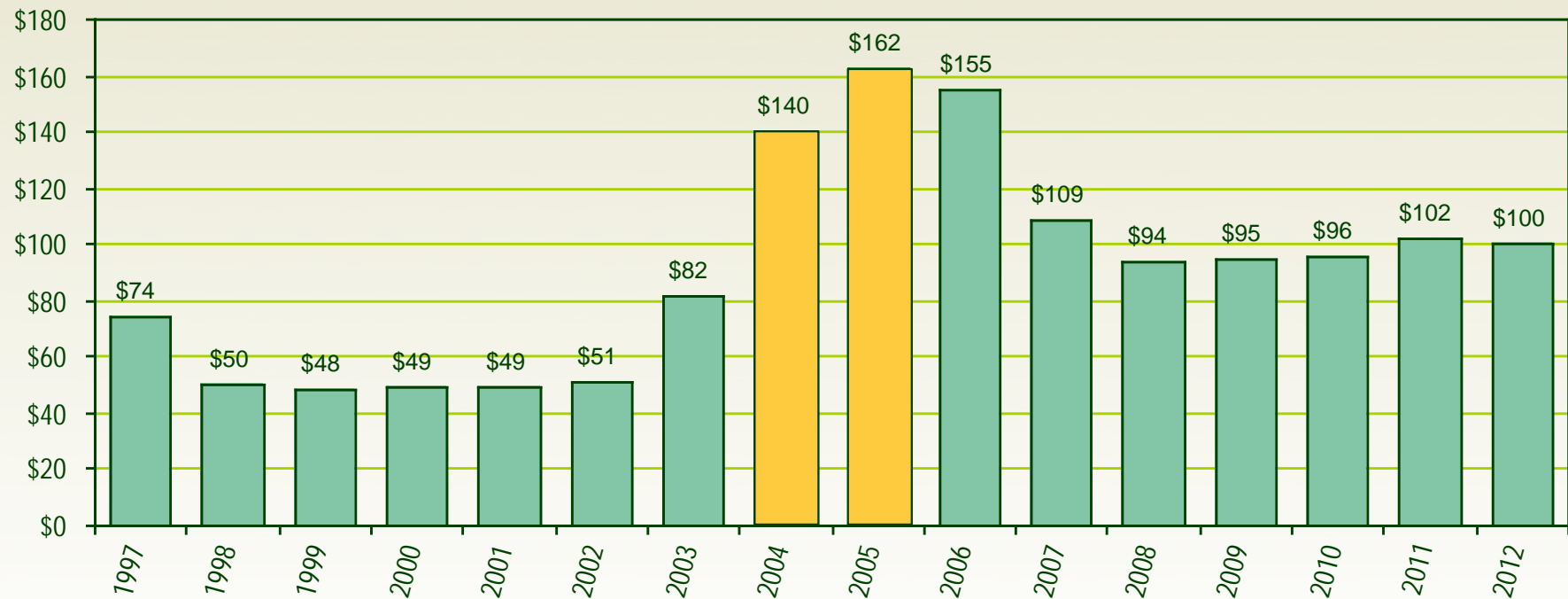
 Fund Builder Tax in effect.



# Average Tax per Employee 1997 - 2012

➔ The increases from 2003 through 2012 are the result of higher benefit schedules and the recession.

(Projections will be updated in December)



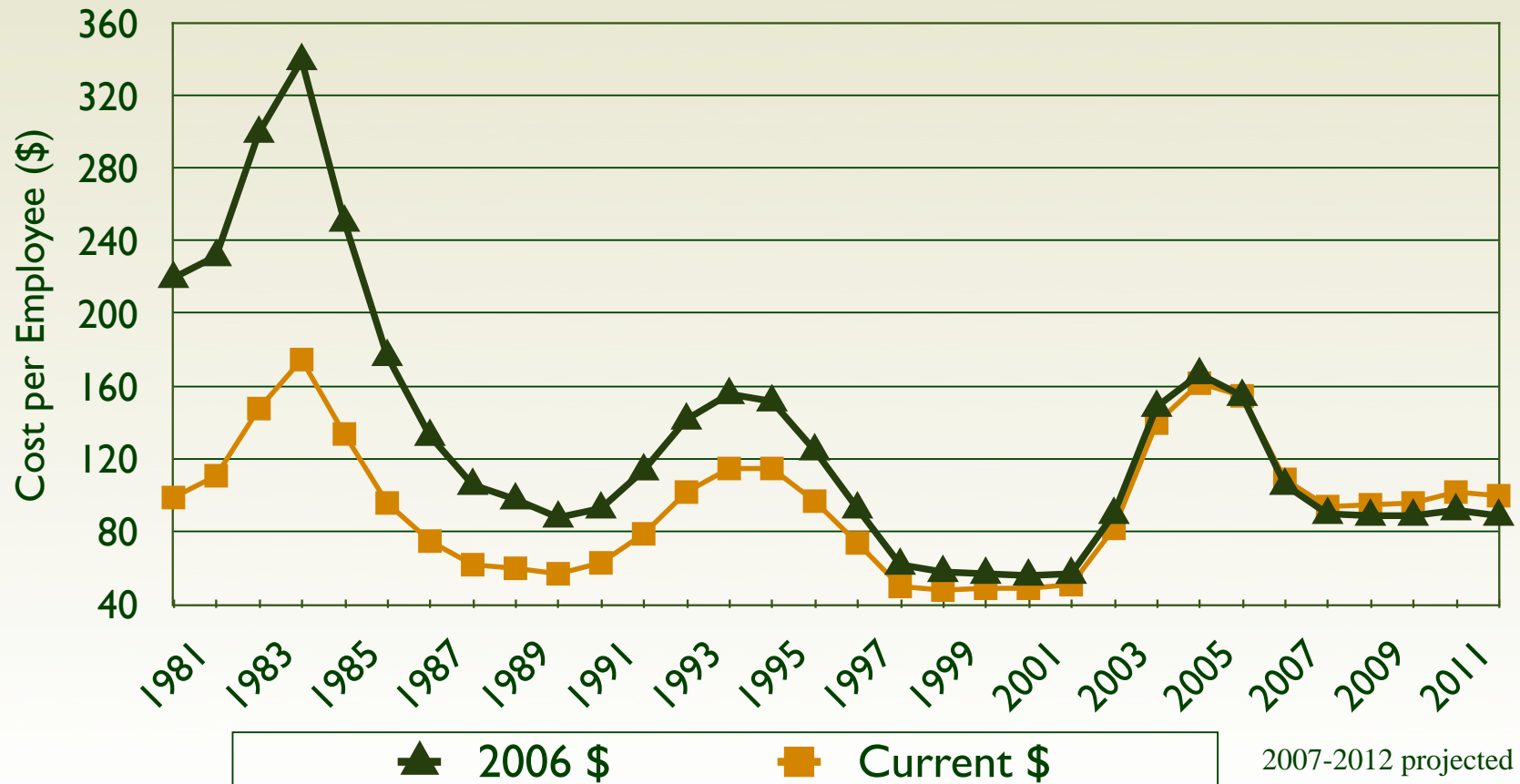
Fund Builder Tax in effect.



➔ 2007 - 2012 projected.



# Average Tax 2006 Dollars vs. Current Dollars

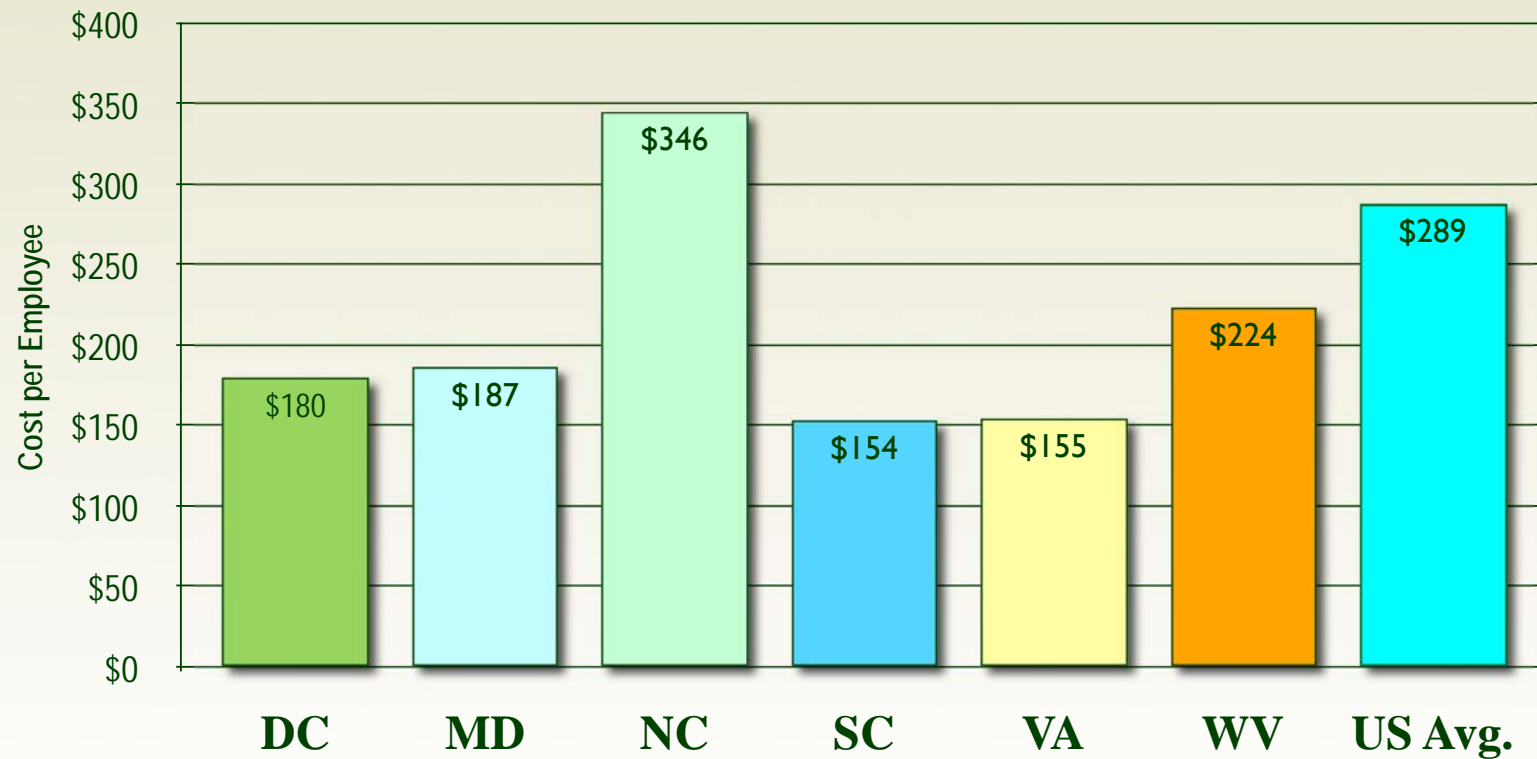


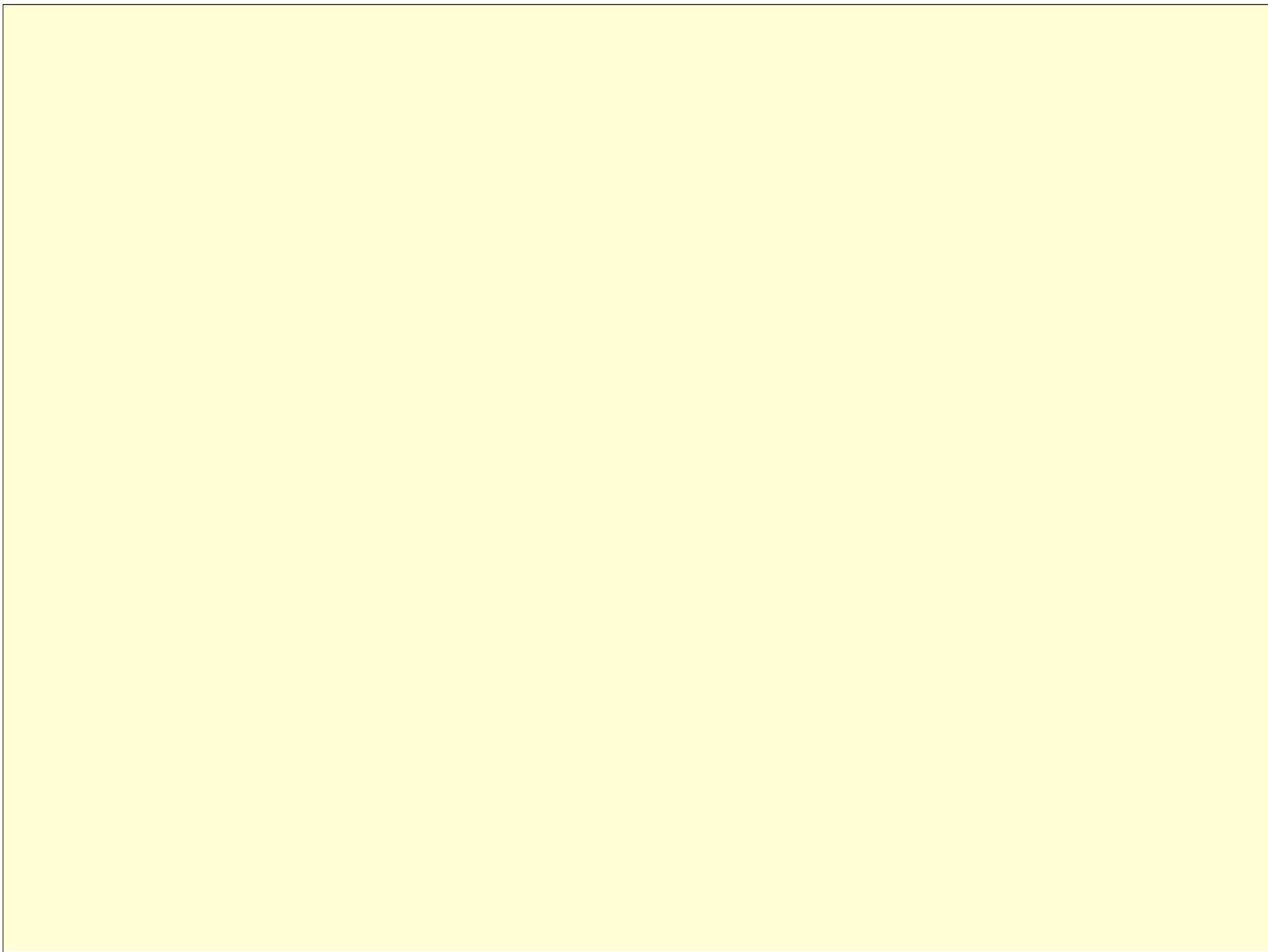




# Average Tax per Employee

## Fourth Circuit – Year ending 12/31/06





# Unemployment Insurance Benefits



- Provide protection against loss of wages to individuals who become unemployed through no fault of their own
- The program: alleviates hardship for the unemployed; prevents the paying of benefits to those individuals who fail to meet the eligibility requirements; handles resolution of disputed unemployment insurance claims; answers customer inquiries regarding benefits and tax matters; promotes the re-employment of claimants through the Eligibility Review Program (ERP) and Re-employment Assistance Program (REA); and detects, establishes and recovers overpaid benefits
- 273,779 claims were filed from July 1, 2006-June 30, 2007
- Entitlement program—verify eligibility
  - Qualifying wages
  - Citizen or current work authorization number
- Illegal workers do not file for benefits—exception mass claims filing
- Employers pay taxes on all employees

# Verifying Social Security Number (SSN) or Work Authorization Number



- Verify SSN with Social Security Administration
- Verify Work Authorization Number through Department of Homeland Security's (DHS) SAVE (Systematic Alien Verification for Entitlement) program
  - 3 Levels of verification
  - 85% of cases employment authorized with primary verification
  - Less than 10% cases proceed to tertiary verification
    - Few cases don't meet criteria for work authorization
    - If counterfeit documentation, DHS sends to investigations group

# National Directory of New Hires



- Employers mandated to report every new hire
- National database
- May be used to find duplicate SSNs

# Verification Statistics



- Since March 2006, only 78 no matches from claims filed and verified with Social Security Administration
- In the last 3 years, 202 individuals were denied benefits because they were not authorized to work in the U.S. The vast majority of these cases involved individuals who entered the country lawfully, but their work permits expired before they received an extension.